

State of South Carolina



Office of the State Auditor

1401 MAIN STREET, SUITE 1200
COLUMBIA, S.C. 29201

THOMAS L. WAGNER, JR., CPA
STATE AUDITOR

(803) 253-4160
FAX (803) 343-0723

May 8, 2003

Mr. Andrew F. Wood, Jr., Chief Financial Officer
Oconee Memorial Hospital
298 Memorial Drive
Seneca, South Carolina 29672-9443

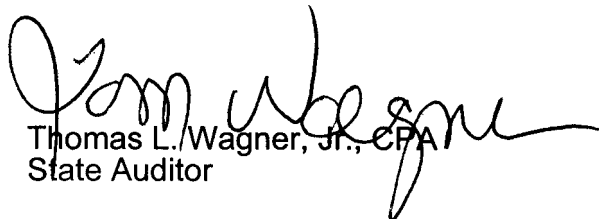
Re: AC# 3-LLD-J8 – Oconee Memorial Hospital, Inc. d/b/a Lila Doyle Nursing Care Facility

Dear Mr. Wood:

The accompanying report has been prepared by our office based on your Medicaid Financial and Statistical Report submitted to the Department of Health and Human Services for the cost report period October 1, 1997 through September 30, 1998. That report was used to set the rate covering the contract period beginning October 1, 1999.

We are recommending that the Department of Health and Human Services certify an accounts payable for the amounts owed as a result of the rate change shown at Exhibit A. You will be notified of payment by that Agency.

If you take exception to this report in any manner, you have the right to appeal in accordance with the Code of Laws of South Carolina, 1976 as amended, Title 44, and Department of Health and Human Services Regulation R.126-150, and you must respond in writing within thirty (30) calendar days of the date of this letter. This written response must address the specific items in the report being appealed, and must be directed to the Appeals and Hearings, Department of Health and Human Services, Post Office Box 8206, Columbia, South Carolina 29202-8206. Any correspondence should include the control number appearing on Exhibit A of this report.


Thomas L. Wagner, Jr., CPA
State Auditor

TLWjr/kss

cc: Ms. Brenda L. Hyleman
Mr. Jeff Saxon
Mr. Joseph P. Hayes

**OCONEE MEMORIAL HOSPITAL, INC.
D/B/A LILA DOYLE NURSING CARE FACILITY**

SENECA, SOUTH CAROLINA

**CONTRACT PERIODS
BEGINNING OCTOBER 1, 1999
AC# 3-LLD-J8**

REPORT ON CONTRACT

FOR

PURCHASE OF NURSING CARE SERVICES

WITH

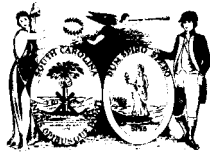
STATE OF SOUTH CAROLINA

DEPARTMENT OF HEALTH AND HUMAN SERVICES

CONTENTS

	<u>EXHIBIT OR SCHEDULE</u>	<u>PAGE</u>
INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES		1
COMPUTATION OF RATE CHANGE FOR THE CONTRACT PERIODS BEGINNING OCTOBER 1, 1999	A	3
COMPUTATION OF ADJUSTED REIMBURSEMENT RATE FOR THE CONTRACT PERIOD OCTOBER 1, 1999 THROUGH SEPTEMBER 30, 2000	B	4
SUMMARY OF COSTS AND TOTAL PATIENT DAYS FOR THE COST REPORT PERIOD ENDED SEPTEMBER 30, 1998	C	5
ADJUSTMENT REPORT	1	7
COST OF CAPITAL REIMBURSEMENT ANALYSIS	2	8

State of South Carolina



Office of the State Auditor

1401 MAIN STREET, SUITE 1200
COLUMBIA, S.C. 29201

THOMAS L. WAGNER, JR., CPA
STATE AUDITOR

(803) 253-4160
FAX (803) 343-0723

INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

April 4, 2003

Department of Health and Human Services
State of South Carolina
Columbia, South Carolina

We have performed the procedures described below, which were agreed to by the South Carolina Department of Health and Human Services, solely to compute the rate change and related adjusted reimbursement rate to be used by the Department in determining the reimbursement settlement with Oconee Memorial Hospital, Inc. d/b/a Lila Doyle Nursing Care Facility, for the contract periods beginning October 1, 1999 and for the twelve month cost report period ended September 30, 1998, as set forth in the accompanying schedules. The management of Oconee Memorial Hospital, Inc. d/b/a Lila Doyle Nursing Care Facility is responsible for the Financial and Statistical Report for Nursing Homes and supporting accounting and statistical records. This agreed-upon procedures engagement was performed in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of the procedures is solely the responsibility of the Department of Health and Human Services. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

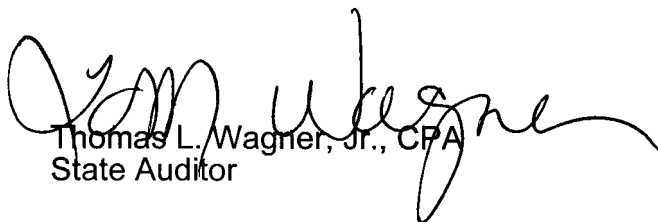
The procedures and the associated findings are as follows:

1. We tested selected costs or areas based on our analytical procedures applied to the reimbursable Medicaid program costs as shown on the Financial and Statistical Report for Nursing Homes, as filed by Oconee Memorial Hospital, Inc. d/b/a Lila Doyle Nursing Care Facility, to determine if these costs were allowable as defined by the State Plan for Medicaid reimbursement purposes and supported by accounting and statistical records maintained by the provider. Our findings as a result of these procedures are presented in the Adjustment Report, Summary of Costs and Total Patient Days, and Cost of Capital Reimbursement Analysis sections of this report.
2. We recomputed the Computation of Reimbursement Rate using the adjusted costs and calculated the rate change in accordance with the provisions of the contract between the Department of Health and Human Services and Oconee Memorial Hospital, Inc. d/b/a Lila Doyle Nursing Care Facility dated as of October 1, 1994 as amended. Our findings as a result of these procedures are presented in the Computation of Rate Change and Computation of Adjusted Reimbursement Rate sections of this report.

Department of Health and Human Services
State of South Carolina
April 4, 2003

These agreed-upon procedures do not constitute an audit of financial statements or any part thereof, the objective of which is the expression of an opinion on the financial statements or a part thereof. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the South Carolina Department of Health and Human Services and is not intended to be and should not be used by anyone other than the specified party.



Thomas L. Wagner, Jr., CPA
State Auditor

OCONEE MEMORIAL HOSPITAL, INC. D/B/A LILA DOYLE NURSING CARE FACILITY

Computation of Rate Change
For the Contract Periods
Beginning October 1, 1999
AC# 3-LLD-J8

10/01/99-
09/30/00

Adjusted Reimbursement Rate	\$96.91
Interim Reimbursement Rate (1)	<u>94.57</u>
Increase in Reimbursement Rate	\$ <u><u>2.34</u></u>

(1) Interim reimbursement rate from the South Carolina Medicaid Management Information System (MMIS) Provider Rate Listing dated January 25, 2002

OCONEE MEMORIAL HOSPITAL, INC. D/B/A LILA DOYLE NURSING CARE FACILITY
 Computation of Adjusted Reimbursement Rate
 For the Contract Period October 1, 1999 Through September 30, 2000
 AC# 3-LLD-J8

	<u>Incentives</u>	<u>Allowable Cost</u>	<u>Cost Standard</u>	<u>Computed Rate</u>
<u>Costs Subject to Standards:</u>				
General Services		\$ 70.26	\$47.61	
Dietary		13.45	10.24	
Laundry/Housekeeping/Maintenance		<u>15.25</u>	<u>8.89</u>	
Subtotal	\$ <u>-</u>	98.96	66.74	\$66.74
Administration & Medical Records	\$ <u>-</u>	<u>24.60</u>	<u>11.39</u>	<u>11.39</u>
Subtotal		123.56	<u>\$78.13</u>	78.13
<u>Costs Not Subject to Standards:</u>				
Utilities		2.41		2.41
Special Services		.53		.53
Medical Supplies & Oxygen		3.93		3.93
Taxes and Insurance		.61		.61
Legal Fees		<u>.17</u>		<u>.17</u>
TOTAL		<u>\$131.21</u>		85.78
Inflation Factor (3.00%)				2.57
Cost of Capital				12.57
Cost of Capital Limitation				(5.66)
Profit Incentive (Max. 3.5% of Allowable Cost)				-
Cost Incentive				-
Effect of \$1.75 Cap on Cost/Profit Incentives				-
CNA Add-On				.75
Nurse Aide Staffing Add-On				<u>.90</u>
 ADJUSTED REIMBURSEMENT RATE				 <u>\$96.91</u>

OCONEE MEMORIAL HOSPITAL, INC. D/B/A LILA DOYLE NURING CARE FACILITY

Summary of Costs and Total Patient Days

For the Cost Report Period Ended September 30, 1998

For the Contract Periods October 1, 1999 Through September 30, 2000

AC# 3-LLD-J8

<u>Expenses</u>	Totals (From Schedule SC 13) as <u>Adjusted by DH&HS</u>	Adjustments		<u>Adjusted Totals</u>
		<u>Debit</u>	<u>Credit</u>	
General Services	\$2,017,273	\$ -	\$52,033 (1)	\$1,965,240
Dietary	478,606	-	102,524 (1)	376,082
Laundry	194,457	-	65,621 (1)	128,836
Housekeeping	154,636	-	432 (1)	154,204
Maintenance	102,012	41,617 (1)	-	143,629
Administration & Medical Records	432,759	255,306 (1)	-	688,065
Utilities	57,176	10,253 (1)	-	67,429
Special Services	22,955	-	8,030 (1)	14,925
Medical Supplies & Oxygen	63,972	45,965 (1)	-	109,937
Taxes and Insurance	6,194	10,965 (1)	-	17,159
Legal Fees	-	4,693 (1)	-	4,693
Cost of Capital	<u>236,493</u>	<u>138,980</u> (2)	<u>24,000</u> (1)	<u>351,473</u>
Subtotal	3,766,533	507,779	252,640	4,021,672

OCONEE MEMORIAL HOSPITAL, INC. D/B/A LILA DOYLE NURSING CARE FACILITY

Summary of Costs and Total Patient Days

For the Cost Report Period Ended September 30, 1998

For the Contract Periods October 1, 1999 Through September 30, 2000

AC# 3-LLD-J8

<u>Expenses</u>	Totals (From Schedule SC 13) as <u>Adjusted by DH&HS</u>	<u>Debit</u>	Adjustments <u>Credit</u>	Adjusted <u>Totals</u>
Ancillary	136,763	-	132,950 (1)	3,813
Non-Allowable	<u>(44,151,289)</u>	<u>16,791</u> (1)	<u>138,980</u> (2)	<u>(44,273,478)</u>
Total Operating Expenses	\$ <u>(40,247,993)</u>	\$ <u>524,570</u>	\$ <u>524,570</u>	\$ <u>(40,247,993)</u>
Total Patient Days	<u>27,970</u>	<u>-</u>	<u>-</u>	<u>27,970</u>
 TOTAL BEDS	 <u>79</u>			

OCONEE MEMORIAL HOSPITAL, INC. D/B/A LILA DOYLE NURSING CARE FACILITY
Adjustment Report
Cost Report Period Ended September 30, 1998
AC# 3-LLD-J8

ADJUSTMENT NUMBER	ACCOUNT TITLE	DEBIT	CREDIT
1	Maintenance	\$ 41,617	
	Administration & Medical Records	255,306	
	Utilities	10,253	
	Medical Supplies	45,965	
	Taxes and Insurance	10,965	
	Legal	4,693	
	Nonallowable	16,791	
	General Services		\$ 52,033
	Dietary		102,524
	Laundry		65,621
	Housekeeping		432
	Special Services		8,030
	Cost of Capital		24,000
	Ancillary		132,950
	To adjust cost centers to amounts per the Medicare cost report HIM-15-1, Section 2300		
2	Cost of Capital	138,980	
	Nonallowable		138,980
	To adjust capital return State Plan, Attachment 4.19D		
		<hr/>	<hr/>
	TOTAL ADJUSTMENTS	\$524,570	\$524,570

Due to the nature of compliance reporting, adjustment descriptions and references contained in the preceding Adjustment Report are provided for general guidance only and are not intended to be all-inclusive.

OCONEE MEMORIAL HOSPITAL, INC. D/B/A LILA DOYLE NURSING CARE FACILITY
Cost of Capital Reimbursement Analysis
 For the Cost Report Period Ended September 30, 1998
 For the Contract Period October 1, 1999 through September 30, 2000
 AC# 3-LLD-J8

Original Asset Cost (Per Bed)	\$ 15,618
Inflation Adjustment	<u>2,2493</u>
Deemed Asset Value (Per Bed)	35,130
Number of Beds	<u>79</u>
Deemed Asset Value	2,775,270
Improvements Since 1981	756,039
Accumulated Depreciation at 9/30/98	<u>(1,031,471)</u>
Deemed Depreciated Value	2,499,838
Market Rate of Return	<u>.063</u>
Total Annual Return	157,490
Return Applicable to Non-Reimbursable Cost Centers	-
Allocation of Interest to Non-Reimbursable Cost Centers	<u>-</u>
Allowable Annual Return	157,490
Depreciation Expense	194,229
Amortization Expense	-
Capital Related Income Offsets	(246)
Allocation of Capital Expenses to Non-Reimbursable Cost Centers	<u>-</u>
Allowable Cost of Capital Expense	351,473
Total Patient Days	<u>27,970</u>
Cost of Capital Per Diem	\$ <u><u>12.57</u></u>

OCONEE MEMORIAL HOSPITAL, INC. D/B/A LILA DOYLE NURSING CARE FACILITY
Cost of Capital Reimbursement Analysis
For the Cost Report Period Ended September 30, 1998
For the Contract Period October 1, 1999 through September 30, 2000
AC# 3-LLD-J8

6/30/89 Cost of Capital and Return on Equity	
Capital Per Diem Reimbursement	\$ 2.92
Adjustment for Maximum Increase	<u>3.99</u>
Maximum Cost of Capital Per Diem	\$ <u>6.91</u>
Reimbursable Cost of Capital Per Diem	\$ 6.91
Cost of Capital Per Diem	<u>12.57</u>
Cost of Capital Per Diem Limitation	\$ <u>(5.66)</u>

2 copies of this document were published at an estimated printing cost of \$1.35 each, and a total printing cost of \$2.70. The FY 2002-03 Appropriation Act requires that this information on printing costs be added to the document.